

<p style="text-align: right;">Page 94</p> <p>1 felt it was appropriate or not. The client 2 adopted a methodology that we had seen 3 elsewhere with other clients. As long as we 4 understood that methodology, then we could go 5 through our own assessment of the impact that 11:16:47 6 that would have. 7 Q. So I think what you're telling me 8 is that you weren't saying grace over or 9 approving the methodology; you were only noting 10 that it was not, in your view, unheard of or 11:16:57 11 potentially uncommon? 12 A. That's correct. 13 Q. Did Coopers & Lybrand ask AHERF to 14 run two different versions of the aging for 15 these hospitals -- of the agings for these 11:17:13 16 hospitals that had employed this changed 17 methodology? 18 A. We asked them for information to be 19 able to measure the difference, so I believe 20 that someone got that information because at 11:17:30 21 the end of the day I can remember being told 22 that the difference was not significant. 23 Q. Who told you that? 24 A. Someone on the staff. That's my 25 recollection. I can't tell you if it was Mark, 11:17:43</p>	<p style="text-align: right;">Page 96</p> <p>1 so I'm going to ask you to repeat, please. 2 Q. Certainly. 3 Do you recall that Coopers & 4 Lybrand proposed any adjustment to the accounts 5 receivable -- or the allowance for doubtful 11:19:11 6 accounts, the reserve for bad debt, at any 7 AHERF hospital that was related to this aging 8 change? 9 MR. RYAN: Objection. 10 A. No. I don't recall suggesting any 11:19:23 11 type of adjustment related to this aging 12 change. 13 Q. Do you recall any discussions with 14 any member of the engagement team about placing 15 this aging change or any affect that may have 11:19:44 16 occurred because of it on the SUD, the 17 statement of unadjusted differences, from 1996? 18 A. No. You're talking solely for the 19 aging change? 20 Q. Yes. 11:20:03 21 A. No. 22 Q. Let me ask you this. If I continue 23 to use the shortened form or the abbreviated 24 form of statement for unadjusted differences 25 and the phrase, therefore, would be SUD, S U D, 11:20:15</p>
<p style="text-align: right;">Page 95</p> <p>1 if it was Brian, if it was Amy. I just can't 2 remember. 3 Q. Correct me if I'm wrong, but the 4 change that we're talking about, to be a little 5 more specific, that's in your recollection is 11:17:56 6 that the change at certain hospitals, at least, 7 inpatient billings were aged at final bill date 8 rather than discharged in this new methodology; 9 is that much right? 10 A. That's correct. 11:18:11 11 Q. At certain hospitals, outpatient 12 billings were now going to be in, in 1996, aged 13 over again or the aging would restart with the 14 receipt of a payment and that the former 15 beginning point for those agings were at 11:18:26 16 registration? 17 A. The date of service, yes. 18 Q. For date of patient service? 19 A. Yes. 20 Q. Did C&L propose any adjustment in 11:18:36 21 any amount for this aging change in 1996 in its 22 audit work, an adjustment to the reserve for 23 accounts receivable at any AHERF hospitals? 24 A. I think your question has two 25 questions in it or I'm not sure I understand, 11:19:01</p>	<p style="text-align: right;">Page 97</p> <p>1 do we understand each other? 2 A. Yes. 3 Q. That would be a Coopers & Lybrand 4 internal work paper that puts together a 5 summary or a statement of unadjusted 11:20:26 6 differences as a part of its final field work 7 in an audit, is that fair? 8 A. That's a fair summary. 9 Q. Would you tell me what you 10 understand the SUD to be? 11:20:46 11 A. Well, a SUD is a Coopers & Lybrand 12 tool that helps the staff meet the requirements 13 of the statement and auditing procedures 14 concerning aggregation of what we would call 15 audit misstatements. So the SUD is the vehicle 11:21:00 16 that we use to aggregate what we consider to be 17 misstatements to reach some sort of conclusion 18 on materiality of those misstatements and then 19 some sort of evaluation on whether the 20 financial statements are fairly presented. 11:21:13 21 Q. So I can appear to at least know 22 what the parlance is or the language, it is 23 really the summary of unadjusted differences 24 and not the statement of unadjusted 25 differences? 11:21:27</p>

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<p>1 A. Yes.</p> <p>2 Q. Thank you.</p> <p>3 Do you recall that this issue, this</p> <p>4 aging change for certain hospitals in I think</p> <p>5 principally eastern hospitals was ever posted 11:21:43</p> <p>6 to the SUD or proposed to be posted to the SUD</p> <p>7 for the '97 audit or as a part of the '97</p> <p>8 audit?</p> <p>9 MR. RYAN: Objection.</p> <p>10 A. Mr. Jones, I'm not sure what we 11:21:55</p> <p>11 would post to the SUD. The client is aging</p> <p>12 their receivables. They're using a methodology</p> <p>13 that's, from our perspective, acceptable within</p> <p>14 an industry practice. The aging is not</p> <p>15 disclosed in the financial statements. 11:22:15</p> <p>16 Our audit is geared towards an</p> <p>17 overall assessment of the accounts receivable</p> <p>18 presented on the balance sheet and the</p> <p>19 collectibility of that receivable. And the</p> <p>20 aging methodology is just one item that we 11:22:28</p> <p>21 would look at.</p> <p>22 So to indicate that the aging</p> <p>23 methodology may be different from one year to</p> <p>24 the next doesn't lead to some sort of item that</p> <p>25 I believe would find its way on to -- on to the 11:22:41</p>	<p>1 about midway down the page called Included On</p> <p>2 Summary of Unadjusted Differences. Do you see</p> <p>3 that?</p> <p>4 A. Yes.</p> <p>5 Q. It has the client site, DVOG, 11:23:56</p> <p>6 Delaware Valley Obligated Group?</p> <p>7 A. Okay.</p> <p>8 Q. Did I read that right?</p> <p>9 A. Yes.</p> <p>10 Q. When I say DVOG from time to time 11:24:05</p> <p>11 today, tomorrow or the next day, we'll</p> <p>12 understand each other that we're referring to</p> <p>13 the Delaware Valley Obligated Group</p> <p>14 hospitals --</p> <p>15 A. Yes. 11:24:12</p> <p>16 Q. -- that we referred to earlier in</p> <p>17 full?</p> <p>18 You see it refers to audit areas,</p> <p>19 patients accounts receivable, reading up the</p> <p>20 document? 11:24:20</p> <p>21 A. Yes.</p> <p>22 Q. And it has an issue type which</p> <p>23 reads, Unadjusted Difference slash Error, is</p> <p>24 that right?</p> <p>25 A. Yes. 11:24:27</p>
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<p>1 SUD.</p> <p>2 Q. Mr. Buettner, I'm handing you now</p> <p>3 an exhibit marked 4250 in this case. It is an</p> <p>4 AHERF 6-30-97 work paper printed, to be fair to</p> <p>5 you, from a version of the electronic database 11:23:05</p> <p>6 CLASS.</p> <p>7 You're familiar with the CLASS</p> <p>8 database?</p> <p>9 A. Yes, I am.</p> <p>10 Q. I believe this to be a non final 11:23:15</p> <p>11 version of the CLASS database that may have</p> <p>12 been preserved by someone named Carrabba or</p> <p>13 Carrabba or someone else, but that is my best</p> <p>14 guess.</p> <p>15 You see this, though, as, at least 11:23:28</p> <p>16 the face page, for an audit work paper in the</p> <p>17 CLASS system?</p> <p>18 A. Yes, it looks like some sort of</p> <p>19 document that you would normally see in the</p> <p>20 CLASS system. 11:23:38</p> <p>21 Q. It is marked as Exhibit 4250, just</p> <p>22 to make sure I said that?</p> <p>23 A. Yes.</p> <p>24 Q. Thank you.</p> <p>25 You see this has a comment section 11:23:48</p>	<p>1 Q. And then in the issue description,</p> <p>2 I read, "To record additional bad debt reserve</p> <p>3 to compensate for the Delaware entities using</p> <p>4 final billed and last payment date for the A/R</p> <p>5 agings." Did I read that right? 11:24:46</p> <p>6 A. Yes.</p> <p>7 Q. Does it appear to you now, from</p> <p>8 looking at this one-page work paper preserved</p> <p>9 for us apparently by Mr. Carrabba, that at</p> <p>10 least in 1997 audit work somebody on the 11:24:52</p> <p>11 engagement team was talking about posting a SUD</p> <p>12 entry or summary of unadjusted difference entry</p> <p>13 for the aging methodology change we've been</p> <p>14 discussing?</p> <p>15 A. It appears that staff accountants 11:25:05</p> <p>16 at that time was going through an evaluation.</p> <p>17 Q. Let me hand you another exhibit.</p> <p>18 It's Exhibit 4251. You recognize this as</p> <p>19 another CLASS database version of a work paper,</p> <p>20 am I right, for the '97 audit? 11:25:30</p> <p>21 A. Yes.</p> <p>22 Q. It here reads, it apparently was</p> <p>23 created by Miss Frazier, if the writing on the</p> <p>24 document is accurate, is that right?</p> <p>25 A. That appears to be the case. 11:25:41</p>

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<p style="text-align: right;">Page 102</p> <p>1 Q. It appears she created it 2 December -- in December of '97. Is that right? 3 A. Yes. 4 Q. Fairly late in the audit process. 5 We'll talk about it. But this was a fairly 11:25:51 6 late issuance, report issuance here for AHERF, 7 am I right? 8 A. Yes. 9 Q. And at the top of the page, 10 someone, and I can't tell you that I know it's 11:26:02 11 Miss Frazier because I don't recall her 12 testimony on this point off the top of my head, 13 has written, "Eliminate entry and evaluate 14 against other reserves," and the issue is the 15 same set of figures regarding the bad debt 11:26:15 16 reserve as in Exhibit 4250. Is that right? 17 A. It appears to be. I'm not sure if 18 it is. But if those two -- the two numbers are 19 the same, so -- 20 Q. Do you recall any conversations 11:26:27 21 with Miss Frazier or anybody else on the 22 engagement team in '97 about eliminating SUD 23 entries for this -- that otherwise had been 24 proposed for this aging methodology change? 25 A. No. 11:26:41</p>	<p style="text-align: right;">Page 104</p> <p>1 document that is not yours? 2 A. Other than the deposition exhibit 3 stamp, I would say no. 4 Q. Thank you. 5 Let me ask you the last question, 11:28:13 6 preliminary question, is you don't doubt that 7 you wrote these notes either on May 17th, 1996 8 or right around there, is that fair to say? 9 A. It's probably a summary of a 10 meeting on the 17th of May. 11:28:27 11 Q. Thank you. 12 A. These notes are my observations 13 from that meeting. 14 Q. So you would have written them 15 close in time to May 17th? 11:28:35 16 A. Yes. 17 Q. Thank you. 18 About -- the better way to put this 19 would be to say, item .5 under the AHERF bullet 20 points reads, "There are missed, in quotes, 11:28:45 21 contractals. Patient accounting is aware of 22 that. Are still in the system that have not 23 been removed." 24 Let me try that again because I 25 think I misaccented the phrase due to perhaps 11:28:59</p>
<p style="text-align: right;">Page 103</p> <p>1 Q. Does seeing either one of these two 2 documents refresh your recollections about 3 discussing potential SUD entries for this aging 4 change in connection with your '96 work at 5 AHERF? 11:26:59 6 A. No. 7 Q. We're going to flip back to 1996 8 again for a few more minutes. 9 I'm handing you, Mr. Buettner, 10 Exhibit 4201. It is a document entitled AHERF 11:27:21 11 A/R Bullet Points with your handwriting on it, 12 is that right? 13 A. That's correct. 14 Q. You've dated your handwriting, or 15 at least your signature, anyway, with the date 11:27:37 16 5-17-96, is that right? 17 A. Yes. 18 Q. This would have been a part of 19 preliminary field work or at least dated during 20 the time period of preliminary field work 11:27:46 21 during the '96 audit; is that also right? 22 A. Yes, we're probably out there doing 23 preliminary work during that period of time or 24 starting preliminary work. 25 Q. Is there any handwriting on this 11:27:56</p>	<p style="text-align: right;">Page 105</p> <p>1 my own grammar problems. 2 I think it actually reads, "There 3 are missed contractals patient accounting is 4 aware of that are still in the system that have 5 not been removed." 11:29:11 6 Did I read the sentence right? 7 A. Yes. 8 Q. Did you prepare the document? 9 A. No, I did not. 10 Q. Then in the left-hand margin you 11:29:18 11 have written, '95 versus '96 question mark with 12 a little arch around bullet point number five. 13 Am I right? 14 A. That's correct. 15 Q. Do you recall what the issue is 11:29:28 16 that is referred to in this sentence and why it 17 is you wrote what you wrote in the margin next 18 to it? 19 A. Well, contractual allowances or 20 contractals, as it's described here, are 11:29:41 21 basically reserves or items that should be 22 reserved. If those are still sitting in the 23 system and they have not been removed, then the 24 question is is the client's processing as clean 25 as it should be. 11:29:57</p>

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<p style="text-align: right;">Page 114</p> <p>1 your industry experience?</p> <p>2 A. Yes.</p> <p>3 Q. What was that view?</p> <p>4 A. 60 percent is low.</p> <p>5 Q. What was -- 11:56:19</p> <p>6 A. Was low.</p> <p>7 Q. What would have been a common or</p> <p>8 more average, in your view, in your experience</p> <p>9 from that time period, the mid 90s, percentage</p> <p>10 of first-run correctness? 11:56:30</p> <p>11 A. I can't put an exact figure on it,</p> <p>12 but the 60s should have been 90, let's say, or</p> <p>13 perhaps even higher.</p> <p>14 Q. Let me ask you to flip to page</p> <p>15 three of the report, which is a page that ends 11:56:46</p> <p>16 in 429 in the Bates numbering system.</p> <p>17 Are you with me?</p> <p>18 A. Yes.</p> <p>19 Q. The chart here attempts to depict</p> <p>20 what, as you understand it? 11:57:08</p> <p>21 A. As indicated above the chart, I</p> <p>22 mean, there are certain parameters or he calls</p> <p>23 indicators, certain measurement parameters that</p> <p>24 would highlight bills being sent out the door,</p> <p>25 if you will, submitted to the insurers or being 11:57:26</p>	<p style="text-align: right;">Page 116</p> <p>1 Q. If it included accounts that were</p> <p>2 still outstanding at the time he took his</p> <p>3 measurement, Mr. Kaliszewski, that is, would</p> <p>4 you have been as confident in the accuracy or</p> <p>5 the importance of the outcome of the study? 11:58:44</p> <p>6 MR. RYAN: Objection.</p> <p>7 A. I'm not sure if I understand your</p> <p>8 question.</p> <p>9 Q. Do you think if he had included in</p> <p>10 his study in these two columns accounts that 11:58:57</p> <p>11 were not yet paid but still outstanding at the</p> <p>12 time, that would have skewed the result in any</p> <p>13 way?</p> <p>14 MR. RYAN: Objection.</p> <p>15 A. Well, I -- I don't know. I mean, I 11:59:07</p> <p>16 would have to look at the level of deviation,</p> <p>17 if you will, if that were the case.</p> <p>18 Q. Would that -- well, strike that.</p> <p>19 If it had been that Mr. Kaliszewski</p> <p>20 included in these two columns accounts that had 11:59:39</p> <p>21 not been paid but were still outstanding at the</p> <p>22 time he took his measurements, it's fair to say</p> <p>23 that some of those accounts may never have been</p> <p>24 paid, is that -- because in eventuality</p> <p>25 sometimes accounts aren't paid? 11:59:54</p>
<p style="text-align: right;">Page 115</p> <p>1 paid or how long it takes to get paid. He's</p> <p>2 trying to compare that to some sort of best</p> <p>3 practices level that he includes on the bottom</p> <p>4 of the chart.</p> <p>5 Q. In the sections or the columns, 11:57:42</p> <p>6 rather, where he includes -- has the -- the</p> <p>7 columns that he heads with the phrases bill to</p> <p>8 pay and discharge to pay, do you see those two?</p> <p>9 A. Yes.</p> <p>10 Q. Do you know as you sit here today 11:57:54</p> <p>11 if the figures set forth in those columns that</p> <p>12 are so headed include only the accounts that</p> <p>13 had been paid at the time he was doing his</p> <p>14 study as opposed to accounts that were still</p> <p>15 outstanding? 11:58:08</p> <p>16 A. My understanding would only be</p> <p>17 those that have actually been paid.</p> <p>18 Q. Do you recall as you sit here today</p> <p>19 confirming that with him one way or the</p> <p>20 another? 11:58:19</p> <p>21 A. I may have. Reading that, that's</p> <p>22 my assumption. We may have talked about it</p> <p>23 because I looked at an earlier draft, but I</p> <p>24 don't recall a specific discussion with him</p> <p>25 about it. 11:58:30</p>	<p style="text-align: right;">Page 117</p> <p>1 MR. RYAN: Objection.</p> <p>2 A. That's possible.</p> <p>3 Q. It wouldn't then have been a delay</p> <p>4 in payment issue for those accounts, but it may</p> <p>5 have just been simply a nonpayment issue that 12:00:04</p> <p>6 was causing the data to come out the way it</p> <p>7 came out?</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. Well, again, you would have to</p> <p>10 determine why the payment was not made. Was 12:00:16</p> <p>11 the payment not made because it was a self-pay</p> <p>12 and there was true credit risk? Was a payment</p> <p>13 not made because the registration process was</p> <p>14 incorrect and as a result they were not able to</p> <p>15 get the correct information? 12:00:29</p> <p>16 I mean, you have nominal credit</p> <p>17 risk when dealing with third-party insurers,</p> <p>18 Medicare or Medicaid.</p> <p>19 So the fact that you're not being</p> <p>20 paid is either an eligibility issue or you 12:00:44</p> <p>21 simply can't get it right. So we would have to</p> <p>22 determine the reason for the nonpayment.</p> <p>23 - - - - -</p> <p>24 (Thereupon, Deposition.</p> <p>25 Exhibit 4460 was marked for</p>

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<p style="text-align: right;">Page 118</p> <p>1 purposes of identification.)</p> <p>2 - - - - -</p> <p>3 Q. Mr. Buettner, we've handed you a</p> <p>4 new exhibit which is marked -- could you give</p> <p>5 me -- the number for me? 12:01:23</p> <p>6 A. 4460.</p> <p>7 Q. Thank you. 4460.</p> <p>8 Do you recall seeing this document</p> <p>9 before today?</p> <p>10 A. I recall seeing a document similar 12:01:35</p> <p>11 to this. I don't know if it's the exact</p> <p>12 document that I have in front of me, but I</p> <p>13 remember seeing spreadsheets, if you will, that</p> <p>14 look familiar to this -- or similar to this.</p> <p>15 Q. Do you know what this schedule 12:01:48</p> <p>16 attempts to reflect?</p> <p>17 A. Well, I can only -- I can only</p> <p>18 assume because it's really not dated. I mean,</p> <p>19 Norb prepared schedules similar to this when</p> <p>20 doing his study in both '96 and '97. I don't 12:02:15</p> <p>21 know if this relates to '96 or '97. I'm not</p> <p>22 sure if he prepared it or if somebody from</p> <p>23 AHERF copied the format and did their own</p> <p>24 study.</p> <p>25 Q. But you believe this to be a part 12:02:30</p>	<p style="text-align: right;">Page 120</p> <p>1 eight weeks, let's say.</p> <p>2 Q. That would be the same for '96?</p> <p>3 A. Yes.</p> <p>4 Q. So the historical collections data</p> <p>5 that you would have referred to in connection 12:04:15</p> <p>6 with your fiscal year '96 audit work, that is</p> <p>7 historical from the perspective of the '96</p> <p>8 fiscal year, would have been four to eight</p> <p>9 weeks of subsequent events testing that took</p> <p>10 place in connection with your '95 audit work, 12:04:28</p> <p>11 is that fair?</p> <p>12 MR. RYAN: Objection.</p> <p>13 A. Yes, yes.</p> <p>14 Q. Do you recall referring to</p> <p>15 historical collections data for any prior time 12:04:36</p> <p>16 period or anybody on your engagement team</p> <p>17 having done so in connection with the '96</p> <p>18 audit, that is before the four to six or eight</p> <p>19 weeks after the close of the '95 fiscal year</p> <p>20 data from any prior time period? 12:04:49</p> <p>21 MR. RYAN: Objection.</p> <p>22 A. I'm totally confused here, sir.</p> <p>23 I'm sorry.</p> <p>24 Q. That was long, so let me try it</p> <p>25 again. 12:04:58</p>
<p style="text-align: right;">Page 119</p> <p>1 of Norb's work product --</p> <p>2 A. No.</p> <p>3 Q. -- in any event?</p> <p>4 A. No, I said I believe he prepared --</p> <p>5 he prepared schedules similar to this, but I'm 12:02:38</p> <p>6 not sure these are his schedules or if somebody</p> <p>7 from AHERF, for instance, did their own study</p> <p>8 and used his format. I don't know.</p> <p>9 Q. Thank you.</p> <p>10 You can put that one aside. 12:02:57</p> <p>11 In performing your work in</p> <p>12 connection with the '96 audit of accounts</p> <p>13 receivable at AHERF, did you or those on your</p> <p>14 engagement team review historical data,</p> <p>15 historical collections data? 12:03:29</p> <p>16 A. Well, we, during our work in '95,</p> <p>17 we would have looked at subsequent events. In</p> <p>18 '96, we would have looked at subsequent events.</p> <p>19 Subsequent events being defined as cash coming</p> <p>20 in after the fact that would support the value 12:03:44</p> <p>21 of the receivable at an earlier date.</p> <p>22 Q. Subsequent events in '95 would have</p> <p>23 been some period of weeks or months post close</p> <p>24 of the fiscal year '95, is that right?</p> <p>25 A. That's correct. Normally four to 12:04:04</p>	<p style="text-align: right;">Page 121</p> <p>1 You told me that as a matter of</p> <p>2 historical collections data, you believe in</p> <p>3 connection with the '96 audit someone on your</p> <p>4 engagement team would have looked at the '95</p> <p>5 audit team's subsequent events testing. Is 12:05:08</p> <p>6 that much right?</p> <p>7 MR. RYAN: Objection.</p> <p>8 A. No, no, no. I'm sorry.</p> <p>9 Q. Then correct me, please.</p> <p>10 A. Let me -- if I misled you, I 12:05:16</p> <p>11 apologize.</p> <p>12 We'll do it -- we'll look at '96</p> <p>13 and I'll put some dates as an example that may</p> <p>14 not necessarily correlate to dates in our work</p> <p>15 papers. 12:05:27</p> <p>16 We're attempting to gain some sort</p> <p>17 of comfort on the collectibility or what we</p> <p>18 call the NRV, net realizable value, of patient</p> <p>19 receivables as of June 30, '96.</p> <p>20 Q. This is as a part of your '96 audit 12:05:44</p> <p>21 work?</p> <p>22 A. Yes, sir.</p> <p>23 One thing that we would look at</p> <p>24 then is we would look at collection activity in</p> <p>25 July and August of '96. 12:05:54</p>

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<p style="text-align: right;">Page 134</p> <p>1 applied by the client at these hospitals, these 2 eastern area or Philadelphia area hospitals, in 3 your experience? 4 MR. RYAN: Objection. 5 A. No, I did not. I mean, I wasn't 12:20:15 6 looking at the percentages, per se. I'm 7 looking at the methodology. There's a 8 difference between the methodology that AGH 9 followed and just applying percentages. 10 Q. So you weren't looking at the 12:20:32 11 percentages? 12 A. No. We applied what I would call 13 the AGH methodology, which -- which, by the 14 way, in this particular case, was -- we used 15 the AGH percentages because we were trying to 12:20:42 16 create parameters. But as I had indicated, 17 there are a wide variety of other items that 18 you would have to consider in making some sort 19 of assessment on the adequacy of the reserves 20 and so on. You just wouldn't attach numbers 12:20:56 21 into a formula. 22 Q. But this schedule, that formula is 23 merely calculated by applying the AGH 24 percentages, is that right? 25 A. Yes. The difference column that we 12:21:08</p>	<p style="text-align: right;">Page 136</p> <p>1 Q. In other words, you gave -- in any 2 event, though, you believe in that meeting you 3 gave Mr. McConnell a package of documents? 4 A. Yes, documents or schedules, yes. 5 Q. One of which may have been this 12:22:18 6 schedule? 7 A. Yes. 8 Q. But you can't tell me with 9 certainty that you gave him this document, is 10 that fair to say? 12:22:27 11 A. We're talking again this document 12 with the numbers written on it? 13 Q. At least that much. I understand 14 there's also handwriting on it. 15 A. I don't know if he ever saw this 12:22:39 16 document with the handwriting on it. 17 Q. Separate and apart from the 18 handwriting? 19 A. Yes, I'm sure -- I'm sure that we 20 discussed this with him and I believe he had a 12:22:49 21 copy of it. 22 Q. Was there any reason you chose AGH 23 over any other hospital as the hospital whose 24 percentages would be applied? 25 MR. RYAN: Objection. 12:23:05</p>
<p style="text-align: right;">Page 135</p> <p>1 talked about is simply the math. 2 Q. Of taking percentages from AGH and 3 applying to the aged bucket receivables at 4 these eastern area hospitals? 5 A. That's correct. 12:21:20 6 Q. Thank you. 7 Do you recall discussing this with 8 AHERF as a part of your '95 audit work, that 9 this calculation had been performed, this 10 application of percentage? 12:21:34 11 A. Yes. 12 Q. With whom did you discuss it? 13 A. It was the basis for the meeting 14 that I mentioned I had with McConnell, Mark and 15 I had with McConnell for '95. 12:21:44 16 Q. Did you share with him that you had 17 actually done this math or did you just share 18 with him your comments about the status of the 19 receivable in a more general way? 20 A. No, I think we gave him everything 12:21:55 21 that Mark prepared. 22 Q. What do you mean by that? 23 A. Well, there was this schedule and I 24 believe there were a few other schedules, if 25 this is the same schedule. I mean -- 12:22:04</p>	<p style="text-align: right;">Page 137</p> <p>1 Q. Allegheny General Hospital. 2 A. Well, I had experience with the 3 Allegheny methodology. They had been following 4 that methodology for at least three or four 5 years. Management in the west was comfortable 12:23:20 6 with it. They believed it was a very 7 conservative methodology. So I felt that that 8 was one way of comparing the east versus west. 9 Q. This AGH methodology, as you 10 understood it in this time frame, was a 12:23:37 11 methodology by which buckets of aged 12 receivables or groups of aged receivables for 13 various periods of time from a start date had a 14 percentage applied to them to generate an 15 allowance for doubtful accounts, is that fair 12:23:57 16 to say? 17 A. Yes, that's probably one piece of 18 the way I would describe it. 19 Q. Did the eastern hospitals generate 20 their own client allowance in the same way, at 12:24:06 21 least, at year-end? 22 A. Not all of them. 23 Q. Which ones did not? 24 A. I can't remember exactly. I 25 believe MCPH and St. Christopher's did not, 12:24:16</p>

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<p style="text-align: right;">Page 138</p> <p>1 but -- I believe that's the case. 2 Q. But you believe the rest did 3 generate the allowance by a percentage 4 application to aged buckets of receivables? 5 A. I'm not sure of that exactly. 12:24:28 6 Q. Do you recall how you think that 7 those two hospitals that you mentioned 8 generated their client reserve as you sit here 9 today? 10 MR. RYAN: In 1995? 12:24:43 11 MR. JONES: Yes. 12 A. I want to say that it was my 13 understanding that both had used the 14 methodology in prior years based on self-pay 15 collection -- or self-pay receivable levels. 12:24:56 16 The reason that was done is that this reserve 17 was measuring credit risk and preponderance of 18 your credit risk is sitting in self-pay. 19 Q. And be that as it may, whether the 20 total receivable in their buckets was one that 12:25:13 21 only listed self-pay, do you recall that those 22 hospitals also applied a percentage to it? 23 A. I can't recall -- I just don't 24 recall. I simply cannot remember. 25 Q. Do you recall that it was proposed, 12:25:34</p>	<p style="text-align: right;">Page 140</p> <p>1 AFTERNOON SESSION commencing at 1:26 p.m. 2 THE VIDEOGRAPHER: We're 3 back on the record at 1:35. 4 Q. Mr. Buettner, I'm handing you now 5 what has been previously marked in this case as 12:44:22 6 Exhibit 1448, which I think you'll tell me upon 7 a review is a letter from Mr. Kirstein to Mr. 8 Morrison at AHERF dated September 11, 1995. 9 Does it appear to be that to you 10 and it has some attachments? 12:44:39 11 A. Yes. 12 Q. I am particularly interested with 13 respect to the references to the AGH 14 application issue we've been discussing, which 15 is discussed in the second paragraph of the 12:44:50 16 memo. Would you read that -- read as much of 17 the letter as you like, but it's the second 18 paragraph that I'm going to be asking you a 19 question about it, and would you let me know 20 when you're finished. 12:45:26 21 A. Okay. 22 Q. Do you recall reviewing this memo 23 before today or this letter before today? 24 A. Yes. 25 Q. Do you recall reviewing it in 12:45:33</p>
<p style="text-align: right;">Page 139</p> <p>1 at least, that your engagement team perform the 2 same kind of analysis, that is applying the AGH 3 percentages to the receivable balances at other 4 AHERF hospitals in connection with its '96 5 AHERF audit work? 12:25:59 6 MR. RYAN: Objection. 7 A. Do I recall proposing that? 8 Q. Yes. 9 A. I never proposed that, no, sir. 10 Q. The question was more general. Do 12:26:11 11 you recall that it was proposed? 12 A. I do not recall. 13 MR. JONES: Let us break here for 14 lunch. How about we try to come back about 15 1:30? 16 MR. RYAN: Good. 17 THE VIDEOGRAPHER: Going off the 18 record at 12:26. 19 20 (Lunch recess.) 21 22 23 24 25</p>	<p style="text-align: right;">Page 141</p> <p>1 connection with its dispatch by Mr. Kirstein 2 and Mr. Morrison, that is around the time that 3 it left Mr. Kirstein's office? 4 A. Yes, I believe I received a copy of 5 it either before or right after Mark mailed it 12:45:46 6 to Chuck Morrison. 7 Q. Thank you. 8 In particular, like I mentioned, I 9 would like to ask you about the second 10 paragraph, and even in more particularity, the 12:46:00 11 last couple of sentences that read, I believe, 12 "In order to analyze the potential adjustment, 13 we applied the AGH reserve percentages to each 14 of the hospital's agings and identified what 15 the adjustment would entail under this 12:46:15 16 premise." 17 Do you see that? 18 A. Yes, I do. 19 Q. Then the concluding sentence for 20 the paragraph reads, "While this is 12:46:22 21 conservative and would be slightly offset by 22 unapplied PIP cash, we believe that it supports 23 the conclusion that the reserve should be 24 enhanced." 25 Did I read that one accurately as 12:46:35</p>

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<p style="text-align: right;">Page 142</p> <p>1 well?</p> <p>2 A. Yes.</p> <p>3 Q. My question is, you have -- Mr.</p> <p>4 Kirstein has apparently written here that the</p> <p>5 AGH -- the application of the AGH reserve 12:46:50</p> <p>6 percentages to the other hospitals identified</p> <p>7 or helped identify what adjustment would be</p> <p>8 made to the bad debt reserve at these hospitals</p> <p>9 in 1995.</p> <p>10 Do you recall if it was that 12:47:05</p> <p>11 application process and the math that resulted</p> <p>12 from it that helped pick what the amount of the</p> <p>13 enhancement or increase to the reserve would</p> <p>14 be, the dollar amount?</p> <p>15 MR. RYAN: Objection. 12:47:20</p> <p>16 A. No, I would not agree with that. I</p> <p>17 believe I testified earlier that we applied the</p> <p>18 methodology in an effort to establish some sort</p> <p>19 of parameter. But there were a variety of</p> <p>20 other factors that we considered in concluding 12:47:37</p> <p>21 exactly what the level of reserve enhancement</p> <p>22 should be.</p> <p>23 Q. What were the other factors, if you</p> <p>24 recall them today?</p> <p>25 MR. RYAN: In 1995? 12:47:45</p>	<p style="text-align: right;">Page 144</p> <p>1 mitigate for raising it or holding it more</p> <p>2 steady?</p> <p>3 MR. RYAN: Objection.</p> <p>4 Q. Let me see if I can fix my</p> <p>5 apparently objectionable question. 12:49:22</p> <p>6 Would it mitigate either way the</p> <p>7 PIP application issue?</p> <p>8 A. It would reduce the reserve</p> <p>9 requirements and that is because, in effect,</p> <p>10 you've collected cash. Since the client was 12:49:31</p> <p>11 behind in the application of the cash payment</p> <p>12 to the detailed accounts receivable records,</p> <p>13 you would have receivables listed on the detail</p> <p>14 in the aging that had already been collected.</p> <p>15 And by applying any method, whether it's the 12:49:46</p> <p>16 AGH methodology or any other methodology, if</p> <p>17 you're applying a reserve against a portfolio</p> <p>18 of receivables and some of those receivables</p> <p>19 have been collected, you're going to overstate</p> <p>20 the reserves if you don't pull those 12:50:03</p> <p>21 receivables out.</p> <p>22 Of course, AGH basically was not on</p> <p>23 PIP or, if they were on PIP, the amounts were</p> <p>24 very, very small. So that's one of the items</p> <p>25 that we had to consider. 12:50:20</p>
<p style="text-align: right;">Page 143</p> <p>1 MR. JONES: Yes.</p> <p>2 Q. The other factors that allowed --</p> <p>3 or that helped you conclude that the amount of</p> <p>4 the enhancement or increase would be for '95.</p> <p>5 A. Well, there were a number of items. 12:47:54</p> <p>6 I think Mark indicated a few of them either</p> <p>7 here or in the document that we looked at</p> <p>8 before lunch. One is the level of -- the</p> <p>9 overall level of reserve to total receivables</p> <p>10 just appeared low in '95 before the adjustment, 12:48:18</p> <p>11 which led us to believe that some sort of</p> <p>12 adjustment would be necessary. So what would</p> <p>13 we look at? We're using the AGH methodology to</p> <p>14 help, as I indicated, establish parameters.</p> <p>15 But there are a number of other things we 12:48:35</p> <p>16 looked at.</p> <p>17 You made reference to unapplied PIP</p> <p>18 cash. PIP, I believe, stands for PIP, periodic</p> <p>19 interim payment. The organization had a large</p> <p>20 balance in that account, which is an indication 12:48:54</p> <p>21 that cash was collected by the organization but</p> <p>22 not applied to the detailed accounts receivable</p> <p>23 records.</p> <p>24 Q. So which way would that mitigate</p> <p>25 with respect to the allowance; would that 12:49:13</p>	<p style="text-align: right;">Page 145</p> <p>1 Another critical issue was the</p> <p>2 environment in which the east was operating on</p> <p>3 versus the west, if I can use those terms.</p> <p>4 Q. You mean the eastern --</p> <p>5 A. The east being the Hahnemanns, 12:50:31</p> <p>6 MCP's where we're trying to access the reserve</p> <p>7 adequacy versus the west, which is Allegheny.</p> <p>8 The Allegheny processing of</p> <p>9 receivables, while not perfect, was handled in</p> <p>10 a much better format than the processing in the 12:50:54</p> <p>11 east.</p> <p>12 You did not have the people drain,</p> <p>13 if you will, to staff reductions that occurred</p> <p>14 in the east. That did not replicate itself in</p> <p>15 the west due to the centralization. 12:51:11</p> <p>16 Because the processing was so</p> <p>17 difficult in the east, you had receivables</p> <p>18 going out the door incorrectly, claims being</p> <p>19 rejected, coming back to the organization for a</p> <p>20 resubmission of a correct amount. 12:51:26</p> <p>21 Well, when you think about the</p> <p>22 methodology that we've talked about this</p> <p>23 morning where you're applying some sort of</p> <p>24 percentages to aging buckets, in Allegheny's</p> <p>25 situation, you have a bill go out the door that 12:51:43</p>

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<p style="text-align: right;">Page 146</p> <p>1 would be classified in the zero to 30 category 2 and then presumably by the time it hit 90 days 3 it would be collected, perhaps 120 days if it's 4 a stay. 5 In the east, because as we had -- 12:52:01 6 because of the processing problems that we've 7 talked about and the rejections that occur, a 8 clean claim may not go out until the 90-day 9 time period, in effect. 10 So where Allegheny is billing 12:52:18 11 Medicare or Blue Cross or Medical Assistance or 12 some commercial insurer, hoping to collect 13 their money within 30, 45, 60 days, and 14 attempting to provide some sort of loss 15 parameter of what may be uncollectible on that 12:52:35 16 processing schedule, in the east, you're adding 17 probably 60 days before you're getting some 18 sort of clean claim being processed. 19 You have to take that into 20 consideration in terms of coming out with an 12:52:48 21 overall evaluation. 22 Q. Which way did that mitigate? 23 A. That would reduce the reserve 24 requirement as well. 25 Q. Why is that? 12:53:01</p>	<p style="text-align: right;">Page 148</p> <p>1 overall portfolio receivable requirements, you 2 would want to do a comparison to see how the 3 east is versus -- compares to the west. 4 Q. Might it also cause consternation 5 with third-party payors and ultimately 12:54:31 6 uncollectibility with respect to them as well, 7 this delay? 8 MR. RYAN: Objection. 9 A. If you end up getting a clean claim 10 in, you should be paid. I mean, they may not 12:54:41 11 like the fact that they're rejecting the 12 claims, but if you ultimately get it right, 13 you're going to get collected within whatever 14 the timing requirements are for getting that 15 claim out. 12:55:03 16 Q. Were there other factors besides 17 that and the AGH percentages? 18 A. There was the PIP. 19 Q. And the PIP, and the reserve total 20 to reserve -- or to receivable total. Others? 12:55:11 21 A. The environment was -- the 22 processing environment was very important. The 23 PIP cash balances, if you will, were very 24 important in terms of whether you would use 25 this methodology -- you would have to adjust 12:55:24</p>
<p style="text-align: right;">Page 147</p> <p>1 A. Well, as I indicated, a receivable 2 sitting in the 60-day or 90-day category for 3 AGH would have different attributes than a 4 receivable that's sitting in a similar category 5 out east because a clean claim out east may not 12:53:18 6 have been generated until the 90-day mark. 7 An easy way of thinking about it is 8 if you take the Allegheny method and you just 9 overlay an additional 60 days or 75 days of 10 aging before clean claim comes off the 12:53:33 11 system -- now, that doesn't happen all the 12 time, obviously. But as a rule of thumb, there 13 were a higher level of rejects in the east 14 versus the west. 15 Q. My question then is, isn't it also 12:53:45 16 the case, however, that this missed -- this 17 misphenomenon on first-runs or this ability to 18 get out clean claims first time and, therefore, 19 delay in getting out clean claims to the 20 payors, as you've described it, isn't it the 12:54:07 21 case that this delay might also itself lead to 22 ultimate uncollectibility? 23 A. It may -- it may in terms of 24 self-pay, yes. And that's why when you look at 25 the overall reserve requirement versus the 12:54:20</p>	<p style="text-align: right;">Page 149</p> <p>1 the methodology. Those are the two primary 2 factors. 3 We would have looked at other items 4 such as subsequent collections, as I mentioned 5 before. We would look at the level of 12:55:35 6 third-party payors and self-payors. We would 7 look at the history of the reserve to total A/R 8 for the east versus the west in previous years. 9 Q. Mr. Kirstein in the letter that you 10 recall reviewing himself, however, notes that 12:55:50 11 our basis for this conclusion, that is that the 12 accounts receivable reserve should be enhanced, 13 is rooted in the amount of A/R over 180 days 14 old coupled with the reduction of the reserve 15 as a percentage of A/R at several of the 12:56:07 16 hospitals. 17 I at least read the sentence right, 18 didn't I? 19 A. Yes, and I think I've indicated, 20 that's what I testified to earlier. 12:56:16 21 Q. But -- go ahead. 22 A. The percentage of reserves to the 23 total A/R portfolio. 24 Q. I'm focusing in on a different part 25 of the same sentence, that is, Mr. Kirstein 12:56:26</p>

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<p style="text-align: right;">Page 150</p> <p>1 appears to be noting a concern about A/R that 2 is over 180 days old and a concern there that 3 appears, to my eye, to be one about ultimate 4 collectibility. 5 Do you read it the same way, that 12:56:35 6 he has a concern that he's expressing about the 7 ultimate collectibility of A/R over 180 days 8 old? 9 MR. RYAN: Objection. 10 A. Well, that he has a concern with 12:56:46 11 the collectibility of A/R over 180 days old. 12 That is one additional factor that we looked at 13 that led us to believe that the reserve -- 14 reserve level should be enhanced. 15 Q. Let me ask you to look at another 12:57:03 16 document for me. It's going to be Exhibit 17 4386. 18 Right before we broke for lunch, we 19 talked about whether you recalled proposing or 20 hearing about a proposal to apply the AGH 12:57:20 21 reserve percentages to aged buckets of 22 receivables at other AHERF hospitals in 23 connection with fiscal year '96 audit work. I 24 think you told me that you did not recall that 25 proposal. 12:57:31</p>	<p style="text-align: right;">Page 152</p> <p>1 A. Well, at some meeting. I mean, I 2 can see my handwriting over here in terms of 3 some comment on subsequent receipts testing and 4 so on. 5 Q. So is it fair to say that your 12:58:48 6 recollection is refreshed that at some point 7 during the 1996 audit work there was a proposal 8 discussed to prepare AGH model reserve for all 9 entities? 10 A. Well, that may have been other 12:59:03 11 people's suggestion, but it wasn't mine. 12 Q. My question is, is your 13 recollection refreshed that the concept was 14 discussed, having seen the document? 15 A. The concept may have been 12:59:15 16 discussed, yes, but I don't believe I was the 17 one that initiated the discussion of that 18 concept. 19 Q. Just so we're clear, I understand 20 that you don't think you initiated it, and you 21 believe it may have been discussed, my question 22 is, is your recollection refreshed that it was 23 discussed? 24 A. Yes, it probably was discussed at 25 the meeting. I don't have any specific reason 12:59:30</p>
<p style="text-align: right;">Page 151</p> <p>1 A. I simply -- yeah, I don't recall 2 having the staff do that. 3 Q. Let me ask you then to look at 4 Exhibit 4386 with me. It is an AHERF accounts 5 receivable procedures document, which is 12:57:46 6 apparently two pages in length, another one of 7 these accounts receivable typewritten 8 documents, not too dissimilar from the one we 9 saw before, am I right, in its format, anyway? 10 A. It would be similar to what we 12:58:01 11 looked at before, yes. 12 Q. About two-thirds of the way down 13 the first page of the document in one of the 14 bullet points on the left-hand margin I read 15 this phrase: "Prepare AGH model reserve for 12:58:13 16 all entities." Is that right? 17 A. I see that, yes. 18 Q. Do you recall being at a meeting or 19 reading a document like this at which this same 20 proposal is made or sentence was discussed? 12:58:30 21 A. Well, I don't remember the meeting, 22 but, I mean, I believe I've seen this document 23 before. It was put together by the staff, 24 so -- 25 Q. When do you think you saw it? 12:58:37</p>	<p style="text-align: right;">Page 153</p> <p>1 to say that it wasn't. 2 Q. Right. 3 Do you have a recollection that you 4 didn't want it to be done, that you didn't want 5 the AGH model reserve applied to all entities 12:59:37 6 in '96? 7 A. Yes. 8 MR. RYAN: Objection. 9 A. I reached a conclusion that it was 10 not necessary. 12:59:46 11 Q. When did you reach that conclusion? 12 A. Probably sometime during the 13 beginning of year-end work. I just didn't feel 14 that it would accomplish anything. I can't 15 tell you the exact date or time frame. 13:00:00 16 Q. Do you recall what you based your 17 conclusion on? 18 A. On the processing errors that 19 continued to exist at the eastern hospital 20 operations and the fact that the agings would 13:00:11 21 not be as valuable a tool in assessing reserve 22 requirements as they had been in the past 23 because of the inability of the organization to 24 get clean claims out the door. 25 Q. I'm handing you now, Mr. Buettner, 13:00:41</p>

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<p style="text-align: right;">Page 154</p> <p>1 what is marked as Exhibit 4387. I'm going to 2 ask you to take a look at that document with 3 me. 4 It is headed Working Paper for HUH 5 Center City, inpatient bad debt analysis, 13:01:01 6 6-30-96. Is that right? 7 A. Yes. 8 Q. HUH Center City was at that time a 9 DVOG hospital as you understood it? 10 A. Yes. 13:01:11 11 Q. This is a '96 work paper from the 12 CLASS system, or it appears so to you? 13 A. Yes. 14 Q. Apparently completed by 15 Mr. Christian and ultimately reviewed by 13:01:24 16 Mr. Kirstein in September of '96 or October of 17 '96, is that right? 18 A. I don't know if it was completed by 19 Brian or not. I see the term. I haven't 20 looked at the rest of the document. I see the 13:01:31 21 term PBC there, which I believe stands for 22 prepared by client. It may, at least my 23 experience is that would tell you it's prepared 24 by client. So I'm not sure exactly what Brian 25 did to this schedule. 13:01:45</p>	<p style="text-align: right;">Page 156</p> <p>1 reserve." 2 Do you see that? 3 A. Yes. 4 Q. Did I read that accurately? 5 A. Yes. 13:02:48 6 Q. Do you recall now that this 7 analysis was done and that an additional 8 reserve was booked? 9 A. Yes, an additional reserve was 10 booked in '96. 13:03:03 11 Q. Do you recall that the AGH reserve 12 percentage analysis was prepared? 13 A. No, I don't recall that at all. 14 Q. Would you have expected to have 15 been privy to that analysis had it been done as 13:03:13 16 a part of your audit responsibilities? 17 A. Yes. 18 MR. RYAN: Objection. 19 A. I spent a significant period of 20 time with Brian and Mark going through portions 13:03:24 21 of the receivable work papers in '96, and I 22 would have expected to see that. 23 Q. Did you ever learn that it had been 24 done and then discarded, the application of the 25 AGH percentages to the aged receivables at 13:03:39</p>
<p style="text-align: right;">Page 155</p> <p>1 Q. I understand. 2 He is at least listed as the 3 individual at C&L as completed by, his name 4 appears next to the words completed by? 5 A. Yes. 13:01:54 6 Q. Mr. Kirstein's appear next to the 7 words reviewed? 8 A. Yes. 9 Q. I think PBC, as you put it, 10 prepared by client, may be partially applicable 13:02:07 11 to this document, or it may not be. But in any 12 event, there are some footnotes that I think -- 13 or tick mark notes that I think you will tell 14 me are Coopers & Lybrand's. If you look in 15 particular at page 1098. 13:02:13 16 A. M-hm. 17 Q. Do you see the note there? The 18 note which reads note. 19 A. Yes. 20 Q. It goes on to read, "C&L does not 13:02:22 21 propose an entry for the difference between the 22 two reserve calculations because C&L has 23 prepared an additional analysis for the bad 24 debt reserve using AGH's reserve percentages 25 and the client has booked an additional 13:02:43</p>	<p style="text-align: right;">Page 157</p> <p>1 other AHERF hospitals for fiscal year '96? 2 MR. RYAN: Objection. 3 A. No. We spent, if my memory serves 4 me correctly, we spent a lot of time looking at 13:03:50 5 agings and other receivable documentation for 6 the east and the west in '96. And I recall 7 Brian printing out this information on rather 8 large spreadsheets because, quite frankly, the 9 computer printouts were small in terms of the 10 information and my ability to read them. We 13:04:15 11 spent a lot of time looking at those agings. 12 But I do not recall any type of 13 exercise of going through and having -- at 14 least exercise that I went through with them 15 where we would look at the AGH methodology, 13:04:30 16 let's say, compared to what was going on in the 17 east in '96. 18 Q. Do you ever recall hearing from 19 either one of them or from anyone else on the 20 engagement team that it had indeed been done, 13:04:39 21 whether or not it was presented to you or gone 22 over by you? 23 A. No, I don't remember that at all. 24 Q. Do you recall reading this note 25 before today? 13:05:03</p>

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<p style="text-align: right;">Page 214</p> <p>1 review the financial statements and the 2 footnote disclosure, make some sort of 3 assessment on whether the disclosure was 4 reasonable and whether the financial 5 information included in the document made sense 15:40:52 6 vis-a-vis their understanding of the tests that 7 were performed and the conclusions that were 8 reached. 9 Q. Is top side meant to be a term that 10 you use that is different from detailed review? 15:41:03 11 A. Yes. I mean, it's -- I'm not sure 12 if the auditing standard calls it a top side 13 analytic or global analytic, but there's some 14 sort of terminology that would indicate that 15 you would want some sort of review on the 15:41:21 16 document going down as opposed to looking at 17 detailed records and working your way up. 18 Q. Let me ask you just a few questions 19 then about the document itself. 20 The first one is, to look at the, I 15:41:34 21 think the topic we were discussing just a few 22 moments ago, which I think is referred to under 23 the heading Patients Accounts Receivable on the 24 first page. Do you see that heading anyway? 25 A. Yes. 15:41:46</p>	<p style="text-align: right;">Page 216</p> <p>1 had too many uses of the word percentage. 2 Did this move of the percentage of 3 allowance as a -- I'll try it one more time. 4 Did this move from 13 percent and 5 17 percent from year-end '95 to year-end '96 15:43:07 6 cause you to think, all things else aside, that 7 the AHERF allowance for doubtful accounts 8 should be increased, decreased or stay the 9 same? 10 MR. RYAN: Objection. 15:43:18 11 A. Based on this particular 12 evaluation -- we still concluded that the 13 reserve had to be increased, but it gave us 14 comfort because, in effect, management had 15 identified that the reserve level, if you will, 15:43:32 16 between '95 and '96 should increase. And they 17 did increase it. 18 Q. So this move in percentages 19 mitigated towards increasing the reserve, in 20 your opinion? 15:43:46 21 MR. RYAN: Objection to form. 22 A. I'm not sure I understand your 23 question. 24 Q. When you read this change -- 25 A. Yes. 15:43:57</p>
<p style="text-align: right;">Page 215</p> <p>1 Q. The subtopic there that I want to 2 highlight for us is the allowance as a 3 percentage of accounts receivable. Do you see 4 that row? 5 A. Yes. 15:41:55 6 Q. That row, I think, if I read the 7 table right, notes that the Delaware Valley 8 Obligated Group percentage -- allowance, 9 rather, as a percentage of accounts receivable 10 has increased between year-end '95 and year-end 15:42:10 11 '96; is that right? 12 A. That's correct. 13 Q. From 13 to 17 percent? 14 A. Yes. 15 Q. Did this figure mean anything to 15:42:22 16 you or this change in figures mean anything to 17 you in connection with your '96 audit work? 18 A. Yes, that was an important measure 19 for us to evaluate in terms of the adequacy of 20 the reserve. 15:42:35 21 Q. Did the increase cause you to think 22 the reserve should be increased more than if 23 the percentage was not increasing? 24 MR. RYAN: Objection. 25 Q. Let me try that again because it 15:42:48</p>	<p style="text-align: right;">Page 217</p> <p>1 Q. -- the allowance as a percentage of 2 accounts receivable at DVOG hospitals is going 3 up between the two fiscal years, right? 4 A. Yes. 5 Q. That going up, did that lead you to 15:44:05 6 think, all things else the same or aside, that 7 there ought to be a modification of the reserve 8 that is positive, increasing the reserve, or 9 did it not have any affect at all? 10 MR. RYAN: Objection. 15:44:24 11 A. We reached the conclusion -- well, 12 I'm going to try to answer your question in two 13 parts. If I'm not answering it, just interrupt 14 me. 15 This measure, this comparison of 15:44:44 16 the allowance to receivables at 17 percent and 17 the fact that it increased from 13 to 17 18 provided us with some comfort that management 19 was attempting to address their issue -- 20 besides trying to fix the processing issue, 15:44:59 21 they were trying to go through some sort of 22 rational assessment of what the reserve level 23 should be. 24 Q. That rational assessment led then 25 to actually increase the allowance as a percent 15:45:11</p>

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<p style="text-align: right;">Page 218</p> <p>1 of the outstanding receivable?</p> <p>2 A. Yes. Now --</p> <p>3 Q. Please go ahead and finish.</p> <p>4 A. I'm not done yet.</p> <p>5 As I recall, we wanted that 15:45:22</p> <p>6 percentage to increase to a greater level. It</p> <p>7 was based on some other analytics that we</p> <p>8 performed.</p> <p>9 Q. That was --</p> <p>10 A. When I say we, I'm talking Brian, 15:45:38</p> <p>11 Mark and myself.</p> <p>12 Q. The percentage you refer to is the</p> <p>13 '96 percentage?</p> <p>14 A. Yes, yes, yes, the 17 percent here,</p> <p>15 we wanted it to be higher. So, as a result, I 15:45:51</p> <p>16 believe we suggested some sort of adjustment,</p> <p>17 if you will, to increase the percentage.</p> <p>18 Q. Do you recall that you suggested an</p> <p>19 adjustment in a particular amount to AHERF</p> <p>20 management or that they suggested an adjustment 15:46:01</p> <p>21 in a particular amount?</p> <p>22 A. No, we went to them and suggested</p> <p>23 an increase of somewhere between 15 and 20</p> <p>24 million dollars.</p> <p>25 Q. Who made that suggestion, the 15:46:13</p>	<p style="text-align: right;">Page 220</p> <p>1 A. No, not in a hallway. They have --</p> <p>2 they had back then what I would -- a cubicle</p> <p>3 area and a couple conference rooms and bullpen</p> <p>4 area, if you will, that were all</p> <p>5 interconnected. And it was somewhere in that 15:47:46</p> <p>6 area there.</p> <p>7 Q. Do you recall roughly when this</p> <p>8 meeting took place, or this conversation took</p> <p>9 place? Was it in August or September of '96?</p> <p>10 A. It was -- well, it was either late 15:47:54</p> <p>11 August or September. It was close to what I</p> <p>12 would call the audit finalization or wrap-up</p> <p>13 date.</p> <p>14 Q. Was Mr. McConnell a participant?</p> <p>15 A. No, I don't recall him being there 15:48:06</p> <p>16 at all.</p> <p>17 Q. Do you recall any reaction that</p> <p>18 anyone at AHERF had to the suggestion that you</p> <p>19 made of upping the reserve for the allowance --</p> <p>20 the allowance for doubtful accounts by 15 to 20 15:48:17</p> <p>21 million dollars at AHERF hospitals?</p> <p>22 A. We didn't get an argument from</p> <p>23 them, let's put it that way. I mean, they</p> <p>24 listened to us and understood where we were</p> <p>25 coming from and indicated they would have to 15:48:29</p>
<p style="text-align: right;">Page 219</p> <p>1 person?</p> <p>2 A. I made that suggestion. The</p> <p>3 suggestion wasn't made simply on the receivable</p> <p>4 level. It was made near the end of the audit.</p> <p>5 And we had perhaps seven or ten items that we 15:46:28</p> <p>6 were talking to management about that either</p> <p>7 would have found their way on to our SUD or</p> <p>8 items that we thought they should consider.</p> <p>9 The item that we had we felt was the most</p> <p>10 important was the increase in their receivable 15:46:45</p> <p>11 reserve.</p> <p>12 Q. Who did you make the suggestion to?</p> <p>13 A. Spargo. I believe that both</p> <p>14 Cancelmi and Adamczak were in the meeting.</p> <p>15 Mark and Amy were there. I want to say Brian 15:46:59</p> <p>16 was there, but I'm not certain. And I'm not</p> <p>17 sure if people stayed -- if all of those folks</p> <p>18 were there for the entire meeting or session or</p> <p>19 whatever you want to call it. It wasn't a</p> <p>20 formal meeting. It was, quite frankly, a 15:47:12</p> <p>21 discussion in an open area in the finance</p> <p>22 department. As I recall, the first meeting was</p> <p>23 probably after 5:00.</p> <p>24 Q. Do you recall, it wasn't in a</p> <p>25 conference room, it was just in a hallway? 15:47:26</p>	<p style="text-align: right;">Page 221</p> <p>1 sit down and talk about it.</p> <p>2 Q. Do you recall any follow-up meeting</p> <p>3 where, or conversation at which they told you</p> <p>4 the results of that follow-up or conversation?</p> <p>5 A. Yes. I can't tell you if it was 15:48:45</p> <p>6 the next day or within two or three days, but</p> <p>7 some short period of time thereafter they got</p> <p>8 back to us with what I would call a proposal to</p> <p>9 adjust for three or four of the items or five</p> <p>10 of the items that we had on our list. That 15:49:01</p> <p>11 would include the receivables.</p> <p>12 Q. Did they give you an amount for the</p> <p>13 allowance boost, the allowance for doubtful</p> <p>14 accounts?</p> <p>15 A. They gave -- yes, they gave us a 15:49:14</p> <p>16 summary of what they would be willing to post,</p> <p>17 and I believe it was 17 million dollars.</p> <p>18 Q. I've seen a number 17.5 million</p> <p>19 dollars in other depositions and other</p> <p>20 documents. Does that sound about right to you? 15:49:27</p> <p>21 A. That's probably right.</p> <p>22 Q. So the 15 to 20 range was yours and</p> <p>23 the 17.5 was AHERF's as the way the</p> <p>24 conversations played out?</p> <p>25 A. Yes.</p>

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<p style="text-align: right;">Page 222</p> <p>1 Q. Thank you.</p> <p>2 Who conveyed that and to whom was</p> <p>3 it conveyed on the engagement team, the 17.5?</p> <p>4 A. Well, I recall being at the client</p> <p>5 location when the decision was made. I don't 15:49:50</p> <p>6 know if Mark and Amy learned about it before I</p> <p>7 did or not.</p> <p>8 Q. How did you learn of it then?</p> <p>9 A. That's what I'm saying, I can't</p> <p>10 remember if they told me or Spargo told me. I 15:50:01</p> <p>11 don't know if Steve told me. But they already</p> <p>12 knew. I just don't remember.</p> <p>13 Q. For the record, Steve is Mr.</p> <p>14 Spargo's first name?</p> <p>15 A. Yes. 15:50:10</p> <p>16 Q. You were comfortable and believed</p> <p>17 that 17.5 was a figure that Coopers & Lybrand</p> <p>18 would not take exception to, is that right?</p> <p>19 A. Yes, that's right.</p> <p>20 Q. Do you recall the other adjustments 15:50:30</p> <p>21 as you sit here today that were being</p> <p>22 discussed, the seven to ten other items, or</p> <p>23 what might be six to nine other items?</p> <p>24 A. Well, there were items that we had</p> <p>25 on our SUD or would be posting to our SUD. 15:50:52</p>	<p style="text-align: right;">Page 224</p> <p>1 headed Delaware Valley inpatient days in A/R</p> <p>2 analysis, 6-30-96, and it's a Coopers & Lybrand</p> <p>3 work paper, I believe.</p> <p>4 A. No, I can't say that I've seen this</p> <p>5 before. 15:53:12</p> <p>6 Q. Let me hand you one more and ask</p> <p>7 you the same question. It's Exhibit 4391</p> <p>8 headed Delaware Valley outpatient days in A/R</p> <p>9 6-30-96. Have you seen this work paper before</p> <p>10 today? 15:53:25</p> <p>11 A. No, I don't remember seeing it.</p> <p>12 Q. Do you recall asking anyone on your</p> <p>13 engagement team or being aware that anyone on</p> <p>14 your engagement team had calculated something</p> <p>15 called days in accounts receivable? 15:53:42</p> <p>16 A. Well, yes. I mean, I would expect</p> <p>17 the -- well, I would expect the client to be</p> <p>18 calculating this on an ongoing basis, and I</p> <p>19 would expect my engagement team to either look</p> <p>20 at their computation or go through their own 15:53:58</p> <p>21 computation.</p> <p>22 Q. Do you recall the results of any</p> <p>23 such analysis separate and apart from looking</p> <p>24 at the documents? And look at them if you</p> <p>25 like. 15:54:08</p>
<p style="text-align: right;">Page 223</p> <p>1 Capitalized interest on construction projects.</p> <p>2 Self insurance reserve liabilities. I would</p> <p>3 have to go down the list.</p> <p>4 Q. That's fine.</p> <p>5 A. But it would be -- it was those 15:51:08</p> <p>6 types of items.</p> <p>7 Q. But to you the most important one</p> <p>8 was the boost that would be required to the</p> <p>9 allowance for doubtful accounts?</p> <p>10 A. At that point in time, yes, in '96, 15:51:16</p> <p>11 yes.</p> <p>12 Q. Your handwritten notes on Exhibit</p> <p>13 4394, at the bottom of the page, you note</p> <p>14 "Excess CRA, 10 to 20 million dollars." Do you</p> <p>15 know what that refers to today? 15:51:38</p> <p>16 A. Those are notes that I -- someone's</p> <p>17 conveying information to me. I can't tell you</p> <p>18 if it's from the C&L team or if it's from</p> <p>19 somebody at AHERF.</p> <p>20 Q. CRA is a cost rate adjustment 15:52:05</p> <p>21 account?</p> <p>22 A. Yes.</p> <p>23 Q. I'm handing you now, Mr. Buettner,</p> <p>24 Exhibit 4390. Do you recall reviewing this</p> <p>25 document at any point before today? It's 15:52:54</p>	<p style="text-align: right;">Page 225</p> <p>1 MR. RYAN: In 1996?</p> <p>2 MR. JONES: Yes.</p> <p>3 Q. That is the results of days in</p> <p>4 accounts receivable analysis.</p> <p>5 A. No. I mean, I remember it being a 15:54:21</p> <p>6 discussion point of something that we would go</p> <p>7 through and would be another item that we would</p> <p>8 factor into in terms of our overall assessment</p> <p>9 of the revenue function, the billing function</p> <p>10 at the -- in the west and in the east and 15:54:36</p> <p>11 reserve needs and things of that nature.</p> <p>12 Q. This may be a question you can't</p> <p>13 answer, but would you look at Exhibit 4390 for</p> <p>14 me and tell me if you, in your auditing</p> <p>15 experience with respect to healthcare 15:54:48</p> <p>16 enterprises, think that inpatient days in</p> <p>17 A/R -- the inpatient days in A/R calculated on</p> <p>18 Exhibit 4390 look high to you for the DVOG</p> <p>19 hospitals?</p> <p>20 A. Yes, they do look high. 15:55:04</p> <p>21 Q. They look high compared to AGH as</p> <p>22 well, is that right?</p> <p>23 A. That's correct.</p> <p>24 Q. What about outpatient on the next</p> <p>25 exhibit? 15:55:12</p>

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<p style="text-align: right;">Page 226</p> <p>1 A. Your question?</p> <p>2 Q. Do these DVOG hospitals appear to</p> <p>3 have, in your view, as you sit here today, high</p> <p>4 calculations as well for -- in this exhibit it</p> <p>5 appears to be bad debt as a percent of net 15:55:39</p> <p>6 patient service revenue?</p> <p>7 A. I'm sorry --</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. -- you've lost me there. A bad</p> <p>10 debt or -- 15:55:53</p> <p>11 Q. I'm sorry. You know what, I</p> <p>12 skipped and I apologize. 4391. It's the same</p> <p>13 question, days in A/R.</p> <p>14 Do the DVOG hospitals days in A/R</p> <p>15 look high to you in this exhibit as you sit 15:56:05</p> <p>16 here?</p> <p>17 A. Yes, they do.</p> <p>18 Q. Did this concern you in connection</p> <p>19 with your '96 audit work?</p> <p>20 MR. RYAN: Objection. 15:56:18</p> <p>21 A. This particular measurement was an</p> <p>22 item that we considered. First of all, we</p> <p>23 expected that they -- this number to be high if</p> <p>24 you can't get bills out correctly the first</p> <p>25 time. So it was an item that we considered, 15:56:30</p>	<p style="text-align: right;">Page 228</p> <p>1 Q. Do you recall any specific</p> <p>2 hospitals you compared them to?</p> <p>3 A. No. I compared -- there was a</p> <p>4 database that the firm provided to the staff</p> <p>5 that was available on Lotus notes. I believe 15:58:13</p> <p>6 it was the CHIPS database. I would go in there</p> <p>7 periodically and just, you know, run</p> <p>8 comparisons, if you will, of days in A/R or</p> <p>9 other measures. I would do that as part of</p> <p>10 this analytic review or top side review when I 15:58:31</p> <p>11 was going through the financial statements.</p> <p>12 Q. Was the CHIPS database available on</p> <p>13 line to auditors at C&L at this period of time?</p> <p>14 A. Yes, yes. It would have been a</p> <p>15 year or so old, obviously, in terms of the data 15:58:45</p> <p>16 that you were comparing it to, but, yes.</p> <p>17 Q. Now I want to turn to the bad debt</p> <p>18 expense metric I tried to steer you to</p> <p>19 prematurely a few moments ago.</p> <p>20 - - - - -</p> <p>21 (Thereupon, Deposition.</p> <p>22 Exhibit 4461 was marked for</p> <p>23 purposes of identification.)</p> <p>24 - - - - -</p> <p>25 Q. This is Exhibit 4461, Mr. Buettner. 15:59:17</p>
<p style="text-align: right;">Page 227</p> <p>1 yes.</p> <p>2 Q. You considered it, and I think what</p> <p>3 you're telling me is that you understood, at</p> <p>4 least in your view, that part of the</p> <p>5 explanation for it was the less than stellar 15:56:51</p> <p>6 first-run success rate --</p> <p>7 A. Yes.</p> <p>8 Q. -- at billing?</p> <p>9 A. Correct. Sorry for interrupting</p> <p>10 your question. 15:57:04</p> <p>11 Q. That's okay.</p> <p>12 Do you recall comparing these days</p> <p>13 in A/R figures calculated for the Delaware</p> <p>14 Valley Obligated Group hospitals to any other</p> <p>15 set of hospitals, non AHERF hospitals in 15:57:17</p> <p>16 connection with your '96 audit work</p> <p>17 specifically?</p> <p>18 A. I would have done a general review,</p> <p>19 yes, just to compare -- to try to gain some</p> <p>20 sort of understanding or appreciation of what 15:57:36</p> <p>21 the overall basis would be. I walked away from</p> <p>22 that assessment or analysis with an</p> <p>23 understanding that the parameter, if you will,</p> <p>24 the days in A/R were high for the organizations</p> <p>25 in the east. 15:57:56</p>	<p style="text-align: right;">Page 229</p> <p>1 It is entitled AHERF Bad Debt Expense Analysis.</p> <p>2 It's another Coopers & Lybrand work paper from</p> <p>3 the '96 audit.</p> <p>4 Do you recall reviewing this work</p> <p>5 paper in connection with your '96 audit work at 15:59:33</p> <p>6 AHERF?</p> <p>7 A. I don't remember looking at the</p> <p>8 document itself, but I'm sure I talked to</p> <p>9 the -- I talked to the engagement team about</p> <p>10 the items included here. 15:59:49</p> <p>11 Q. I'm sorry, the items included here</p> <p>12 are essentially a calculation that is headed</p> <p>13 with the row marker here, "Bad debt as</p> <p>14 percentage of net patient service revenue," is</p> <p>15 that right? 16:00:04</p> <p>16 A. Well, you've got an entire page of</p> <p>17 numbers here. I mean, there's much more to it</p> <p>18 than just that particular parameter. There's</p> <p>19 bad debt as a percentage of net patient</p> <p>20 revenue, contractual allowance as a percentage 16:00:19</p> <p>21 of gross revenue. There are comparisons</p> <p>22 between June of '95 and June of '96, as well as</p> <p>23 comparisons between March 31, '96 and June of</p> <p>24 '96.</p> <p>25 Q. But the two percentages that are 16:00:31</p>

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<p style="text-align: right;">Page 234</p> <p>1 we looked at. 2 - - - - - 3 (Thereupon, Deposition 4 Exhibit 4462 was marked for 5 purposes of identification.) 6 - - - - - 7 Q. Mr. Buettner, we're now handing you 8 what was newly marked as 4462 with a little 9 difficulty. I'm going to ask you to take a 10 look at this one-page document and tell me if 16:06:45 11 you recognized it -- if you recognize it. 12 A. I do not believe this is an audit 13 schedule prepared by C&L. I may have seen 14 this. It looks similar to some information 15 that AHERF management may have provided us, but 16:07:11 16 I just don't remember. 17 Q. It is headed AHERF, Patient 18 Accounts Receivable Balances, Fiscal Year 1996. 19 Is that right? 20 A. Yes. 16:07:23 21 Q. It lists a series of hospitals 22 along the left-hand margin. 23 A. Yes. 24 Q. Down in the lower right-hand margin 25 you've written a handwritten note, or is that 16:07:30</p>	<p style="text-align: right;">Page 236</p> <p>1 handwriting. I probably don't dispute the fact 2 that there's been a significant increase in 3 receivables over the two-year period, but 4 that's just not my handwriting. That's all. 5 Q. That's fine. That's fine. 16:08:38 6 Let me hand you one more exhibit. 7 - - - - - 8 (Thereupon, Deposition. 9 Exhibit 4463 was marked for 10 purposes of identification.) 11 - - - - - 12 Q. It is Exhibit 4463. And my 13 questions are two, have you seen this document 14 before, and is the handwriting on it yours? 15 A. Yes. 16:09:10 16 Q. Yes to both? 17 A. Yes to both. 18 Q. It is headed AHERF Consolidated 19 Aging by Major P. Does that stand for payor? 20 A. I can't tell you that's what 16:09:23 21 that -- it's probably by major payor, but I 22 don't know. 23 MR. RYAN: You can see it better in 24 some of the other pages. 25 THE WITNESS: It's just not -- 16:09:35</p>
<p style="text-align: right;">Page 235</p> <p>1 your handwriting? 2 A. That is not my handwriting. 3 Q. That is not your handwriting. 4 A. No, it is not, sir. 5 Q. This document, I am told by my 16:07:37 6 esteemed colleague to my left, was produced 7 from what has been identified to us by your 8 counsel or PwC's counsel as Mr. Buettner's 9 files. Does me saying that mean anything to 10 you about whether or not it's likely that you 16:07:56 11 reviewed it? 12 Did you keep personal files on 13 audit matters? 14 A. Yes, I did. 15 MR. RYAN: Objection. 16:08:02 16 Q. Was it your habit to review those, 17 the material in those files in connection with 18 your audit work? 19 A. Yes. It was also my habit to, as I 20 was reviewing or going through an audit review, 16:08:14 21 the staff would give me documents, I would look 22 at, we would talk about, I would put them in 23 the file. 24 Q. Do you recognize the handwriting? 25 A. No, I don't. But that's not my 16:08:26</p>	<p style="text-align: right;">Page 237</p> <p>1 Q. The typing apparently, or the font 2 apparently gets clear on later pages. But 3 there are payors listed on the left-hand 4 margin, is that fair to say, of the document? 5 A. Yes. 16:09:48 6 Q. When do you recall seeing this 7 document before today? 8 A. As I had indicated earlier, when 9 you provided me with some schedules that I 10 simply couldn't read, that I told Brian that he 16:10:01 11 was going to have to increase the font so that 12 I could sit down and perform some sort of 13 reasonable review with him. 14 He had put together some aging 15 schedules, and this is just a summary, I think, 16:10:15 16 of probably about 40 pages of printouts that he 17 generated of very long sheets that were, quite 18 frankly, in larger print than this. They were 19 eight and a half by 11. 20 Q. Yes. 16:10:31 21 A. And we sat down and over, as I 22 indicated, over a couple day period, day and a 23 half, whatever, when I sat down and talked to 24 Mark and Brian, we were going through 25 receivables, we were trying to dissect exactly 16:10:43</p>

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<p style="text-align: right;">Page 238</p> <p>1 what was going on here, how it tied into other 2 items that we thought were occurring from a 3 processing perspective, what Norb was coming 4 down with, what was the client doing in terms 5 of increasing reserves, what the client's 16:10:58 6 assessment was in terms of collectibility, if 7 they had any specific reasons on why certain 8 items should be ignored, written off. 9 So it was basically my -- these 10 pages, plus a few other pages, were basically 16:11:18 11 my work pad, if you will, during that period of 12 time when we were going through the review. 13 Q. This is the period of time during 14 which you came to the ultimate conclusion that 15 the reserve or the allowance -- the reserve or 16:11:31 16 the allowance for doubtful accounts needed to 17 be increased by 15 to 20 million dollars? 18 A. Yes, yes. 19 Q. These meetings were held primarily 20 with you and Mr. Kirstein and Mr. Christian 16:11:42 21 from time to time? 22 A. Yes. I mean, it was within a two, 23 three-day period, rather intense. I spent a 24 lot of time over at the client location. I had 25 other client responsibilities. But I think for 16:11:57</p>	<p style="text-align: right;">Page 240</p> <p>1 Q. The entry used to read something 2 like 72 million dollars. It has a line through 3 it, and then your handwriting, 50 million 4 dollars beneath it. Is that right? 5 A. 50,000, but yes. 16:13:16 6 Q. 50,000. But this schedule would 7 refer to -- is it 50,000 or 50 million? 8 A. I can't remember. I mean, as I 9 told you, we were going through a number of 10 assessments in terms of overall reserve 16:13:30 11 requirements and so on. 12 Q. So let me make sure -- I think I 13 understand your testimony. I want to make sure 14 that the record is clear. 15 The figure that is typewritten on 16:13:38 16 this schedule for all entities under net A/R 17 over 180 days is 72 million dollars and change? 18 A. Yes. 19 Q. That much is right? 20 A. Yes. 16:13:49 21 Q. What you've written in in 22 handwriting is the figure 50, five zero, 23 comma -- let me try that again. Five zero 24 comma, zero, zero, zero or 50,000, is that 25 right? 16:14:00</p>
<p style="text-align: right;">Page 239</p> <p>1 one day I was there probably all day. I felt 2 kind of bad for Brian because I had him running 3 around quite a bit getting information. 4 Q. This would have been then, again, 5 in the late August, early September time frame 16:12:12 6 and shortly before the meeting with Mr. Spargo 7 and others about your suggestion to up the 8 reserve? 9 A. Yes, yes. That all could have 10 occurred within a one-week period, let's say. 16:12:21 11 When I say one week, I don't mean Monday 12 through Friday, but within a five, six-day 13 period, yes. 14 Q. On the first page of the schedule 15 which we've newly marked -- would you do me the 16:12:34 16 favor of repeating back for me the exhibit 17 number? 18 A. 4463. 19 Q. On the first page of Exhibit 4463, 20 the lower right-hand corner of the document, 16:12:49 21 the figure appears at the very bottom under the 22 heading Total All Entries, Over 180 Days, and 23 the entry there is in a row for net A slash R; 24 is that right? 25 A. Yes. 16:13:05</p>	<p style="text-align: right;">Page 241</p> <p>1 A. Yes. 2 Q. You don't know whether that meant 3 to relate to 50,000 or 50 million as you sit 4 here today? 5 A. Yes. In all probability it relates 16:14:06 6 to 50 million, but I honestly can't testify 7 today because I'm not sure how that number was 8 derived. 9 Q. Do you recall considering whether 10 net A/R -- the net A/R figure calculated by 16:14:19 11 either the client or by C&L for all entities 12 which reflected A/R over 180 days should be 13 adjusted downward by any measure, by any sum in 14 these Christian/Kirstein/Buettner meetings? 15 A. Well, yeah, I think we had reached 16:14:38 16 a conclusion that the reserve had to be 17 increased by 15 to 20 million dollars, yes, 18 sir. 19 Q. So if having -- having given us the 20 benefit of that, net A/R in your view is A/R 16:14:50 21 after the allowance? 22 A. Yes. 23 Q. And, therefore, this roughly 22 24 million dollar difference, if we assume for a 25 minute that the 50,000 you wrote there meant 50 16:15:01</p>

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William F. Buettner

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<p style="text-align: right;">Page 242</p> <p>1 million, would be in the ballpark of the 2 suggestion you were proposing, is that fair to 3 say? 4 MR. RYAN: Objection. 5 A. You could say that, but I'm not 16:15:11 6 sure that's what it meant. I just don't know. 7 Q. You just don't know? 8 A. I cannot remember. 9 Q. That's fine. I'm going to ask you 10 skip to the next page. 16:15:21 11 Do you know what you're doing with 12 the handwritten figures that appear in the 13 first four columns with actual numbers in them 14 at the base of the page on page 35634 as you 15 sit here today? 16:15:35 16 A. No, I can't remember. 17 Q. Do you know why this second page 18 appears to -- strike that. 19 Do you know why -- what this second 20 schedule is doing as compared to the first 16:16:01 21 schedule as you sit here today? 22 A. What page are you on? 23 Q. I'm sorry, the second page of the 24 exhibit, 4463. At your quick review here, can 25 you tell me why this schedule is different than 16:16:12</p>	<p style="text-align: right;">Page 244</p> <p>1 Q. Mr. Buettner, could you look back 2 at Exhibit 4463 for me, the last series of 3 schedules we were reviewing at the time we 4 broke. 4463, the net A/R schedule. Are you 5 with me? 16:34:19 6 A. Yes. 7 Q. Regardless of which figure we 8 choose, the roughly 72 million dollar figure 9 for net A/R, all entities over 180 days, or the 10 roughly 92 million dollar figure for net A/R 16:34:34 11 all entities over 180 days, the schedule 12 reflects that this amount is an amount 13 outstanding and presumably owed to AHERF 14 hospitals or other enterprises against which 15 there is no reserve. 16:35:00 16 Is that fair to say? 17 MR. RYAN: Objection to form. 18 A. Yes. Yes. 19 Q. Did that fact or knowing that fact 20 in connection with your '96 audit work cause 16:35:05 21 you concern about the reserve or the allowance 22 for doubtful accounts? 23 MR. RYAN: Objection. 24 A. As I stated previously, it would be 25 an item that we would consider in evaluating 16:35:21</p>
<p style="text-align: right;">Page 243</p> <p>1 the first one? 2 MR. RYAN: Objection to form. 3 A. I'm not sure -- I don't see the 4 difference. 5 Q. Okay. I think if you look to the 16:16:25 6 third page, maybe you'll see. 7 The third page gives a total 8 reserve figure of -- a total -- I'm sorry, net 9 A/R figure, total net A/R figure for all 10 entities at over 180 days at 92 million 16:16:38 11 dollars. 12 A. M-hm. 13 Q. Do you know why there would be two 14 different figures in these schedules? 15 A. I don't know. 16:16:45 16 MR. RYAN: Objection. 17 A. I don't know. 18 MR. JONES: Let's take our last 19 break of the day here. If we take a quick one, 20 we may finish shortly after 5:00. 16:17:06 21 THE VIDEOGRAPHER: Going off the 22 record at 4:17. 23 (Recess had.) 24 THE VIDEOGRAPHER: We're back on 25 the record at 4:34. 16:34:01</p>	<p style="text-align: right;">Page 245</p> <p>1 the overall adequacy of the client's 2 established reserve. 3 Q. Did you evaluate this item as one 4 that would suggest that an enhancement to the 5 reserve should be made or an increase in the 16:35:34 6 reserve should be made? 7 A. I would conclude that it would tell 8 us that we would want to take a look at an 9 increase in the reserve, not a decrease in the 10 reserve. 16:35:48 11 Q. Thank you. That's where I was 12 going with the question. 13 You have testified for us a little 14 while ago about the year-end adjustment to the 15 allowance suggested by you in the range of 15 16:36:02 16 to 20 million dollars. I think I understand 17 from your testimony that that range of increase 18 came at the conclusion of a series of meetings 19 or a day or more of meetings with Mr. Christian 20 and Mr. Kirstein, is that right, that that's 16:36:22 21 when the suggestion crystallized in your mind? 22 A. Yes, that's when we made -- we had 23 reached our conclusion that the reserves should 24 be enhanced. 25 Q. And enhanced, in fact, in that 16:36:36</p>

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William F. Buettner

Volume 1

<p style="text-align: right;">Page 246</p> <p>1 amount, or is that an amount or a range, 2 rather, that you came up with separate and 3 apart from any conversations you had with these 4 two gentlemen? 5 A. That I cannot remember. There were 16:36:52 6 a whole -- there were a variety of factors, a 7 lot of conversation, a lot of data that was 8 shared. The ultimate decision that was made 9 was my decision. 10 That decision was based on the 16:37:12 11 information I had seen, plus the information 12 that the staff had given me and what I also had 13 heard from the client. 14 Q. Did you -- do you recall sharing 15 your 15 to 20 million dollar recommendation 16:37:22 16 with Mr. Christian or Mr. Kirstein before the 17 meeting with AHERF at which you shared this 18 suggestion? 19 A. I think I did, but I can't remember 20 specifically. 16:37:35 21 Q. Do you recall as you sit here today 22 any difference of opinion between the three of 23 you about the number or the range? 24 A. No, I don't remember any comments, 25 adverse comments from their perspective in 16:37:49</p>	<p style="text-align: right;">Page 248</p> <p>1 us by booking the journal entry or by 2 increasing the reserves, let's say. 3 Q. Do you recall posting the amount 4 of -- any amount to the SUD? 5 A. After the client accepted the -- or 16:39:40 6 agreed to book the adjustment? No. 7 Q. Do you recall posting any amount 8 for an increase to the allowance for doubtful 9 accounts to the SUD at any time? 10 A. In 1996? 16:39:54 11 Q. Yes. 12 A. No. 13 Q. Is it your best recollection that 14 the suggestion of a 15 to 20 million dollar 15 increase in the allowance was not documented; 16:40:06 16 it was not written down in the work papers or 17 anywhere else? 18 MR. RYAN: Objection. 19 A. I believe it was written down to 20 the extent that the client had to book some 16:40:17 21 sort of adjustment to their financial 22 statements and on their general ledger, and the 23 staff reviewed that adjustment that was made, 24 and they documented the adjustment in the work 25 papers. 16:40:34</p>
<p style="text-align: right;">Page 247</p> <p>1 terms of the adequacy of that adjustment. 2 Q. Do you recall either one of them or 3 anyone else on the engagement team indicating 4 to you that they thought the adjustment should 5 be more, higher, more than 17.5 -- or more than 16:37:59 6 15 to 20 million dollars? 7 A. No, I don't remember any 8 conversations at all along those lines. 9 - - - - - 10 (Thereupon, Deposition 11 Exhibit 4464 was marked for 12 Purposes of identification.) 13 - - - - - 14 Q. Mr. Buettner, do you recall 15 documenting anywhere in the work papers or 16:38:47 16 elsewhere, for that matter, the suggestion of 17 increasing the allowance for doubtful accounts 18 at AHERF hospitals by 15 to 20 million for 19 fiscal year '96? 20 MR. RYAN: Could I get that read 16:39:02 21 back, please? 22 (Record read.) 23 A. No, I don't, because I 24 believe the client ended up going 25 through that documentation process for 16:39:26</p>	<p style="text-align: right;">Page 249</p> <p>1 Q. Let me see if I can break that down 2 because I think we're speaking past each other, 3 perhaps. 4 And I understand that ultimately a 5 17.5 million dollar adjustment was made by 16:40:43 6 AHERF and that that may be reflected in some 7 internal AHERF schedules or on the general 8 ledger, or it may not. 9 My question is really, do you 10 recall yourself or any member of your 16:40:57 11 engagement team committing the 15 to 20 million 12 dollar range suggestion that you made to Mr. 13 Spargo and others at the meeting towards the 14 end of the audit work in fiscal 1996 to paper? 15 A. No, not the range. I don't think 16:41:15 16 we would do that because the client accepted 17 the proposal that we had made in terms of an 18 adjustment that should be booked. So we 19 reflected the adjustment, not the proposed 20 adjustment. 16:41:33 21 Q. They accepted -- the client 22 ultimately, apparently, accepted, in your 23 testimony, anyway, a number within the range. 24 A. M-hm. 25 Q. They didn't accept 20, right? 16:41:41</p>

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IN THE UNITED STATES DISTRICT COURT
OF PENNSYLVANIA
WESTERN DIVISION

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,

Plaintiff,

vs. Civil Action No. 00-684

PRICEWATERHOUSECOOPERS, LLP,
Defendant.

Continued videotaped deposition of
WILLIAM F. BUETTNER, called for examination
under the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Jones Day, 500 Grant Street, Suite
3100, Pittsburgh, Pennsylvania, on Wednesday,
the 23rd day of June, 2004, at 9:00 a.m.

VOLUME II

William F. Buettner

Volume 2

<p style="text-align: right;">Page 326</p> <p>1 Coopers & Lybrand, the recommendations or the 2 reactions that were Coopers & Lybrand's? 3 A. Well, we would circulate the letter 4 for two reasons. One is it was agreed that a 5 management response would be provided to our 09:53:05 6 comments. So to get that management response, 7 clearly we would have to review the comment 8 with management. 9 And then, secondly, it was a 10 vehicle to make sure that we had our facts 09:53:17 11 right, we're making observations, we're making 12 recommendations. We would want to make sure 13 that our facts were correct. 14 It's one thing to make a 15 recommendation and management may disagree with 09:53:28 16 it or there may be some tension in terms of 17 comment, but if the facts are just wrong, and 18 the observation is not -- is without merit, 19 then it shouldn't be included in the letter. 20 Q. Do you recall ever receiving 09:53:45 21 comment from AHERF personnel on the factual 22 portions or the recommendations of C&L separate 23 and apart from the management response portion 24 of the letter? 25 A. In some cases, yes. 09:54:01</p>	<p style="text-align: right;">Page 328</p> <p>1 A. Yes, yes. 2 Q. Including comments or notes on the 3 text of the factual portions and C&L's 4 recommendations separate and apart from the 5 management response portion of the letter; is 09:55:00 6 that also right? 7 A. Yes, yes. 8 Q. My question now is, in any fiscal 9 year or for any fiscal year, do you recall 10 receiving comments from AHERF management on the 09:55:08 11 C&L portions of the document, not just the 12 management response, but the C&L portions of 13 the documents that you or your engagement team 14 rejected, did not accept, did not put in the 15 final text? 09:55:24 16 MR. RYAN: Objection. 17 A. In other words, feedback that they 18 provided to us and we said, no, we're not going 19 to include that? Probably, yes. We receive 20 comments both ways either for factual or -- 09:55:35 21 factual information or just other information. 22 Some of it we may have included, some -- I 23 can't remember. But it was -- we would sit 24 down and assess our comments that we received 25 from them, plus their responses, and we would 09:55:50</p>
<p style="text-align: right;">Page 327</p> <p>1 Q. Do you recall receiving any in 2 particular in connection with the '96 or '97 3 audit? 4 A. I can't remember specifically, but 5 I wouldn't be surprised if we received comments 09:54:07 6 in each year that we performed this service. 7 Q. Do you recall ever rejecting any 8 comments? 9 MR. RYAN: Objection. 10 A. I don't understand what you mean by 09:54:19 11 rejecting. 12 Q. That is receiving them, reviewing 13 them but deciding not to include them in the 14 final text of the document? 15 A. Receiving them from who? 09:54:28 16 Q. AHERF management. 17 A. I don't understand your question. 18 We're the one who's generating the comment. 19 Q. Let me try it again. Let me try it 20 again. 09:54:41 21 A. Okay. 22 Q. I think you told me that you 23 recalled receiving some input or comments on 24 the text of the management comment letter from 25 time to time from AHERF personnel? 09:54:48</p>	<p style="text-align: right;">Page 329</p> <p>1 also assess observations from within the group 2 as we were passing this document around as 3 well. We would make a final change to the 4 document before issuing it to the board and the 5 audit committee. 09:56:06 6 Q. Do you recall any specific comments 7 received from AHERF to the C&L portions of the 8 document that you rejected in either fiscal 9 years '95, '96 or '97? 10 A. No, I don't remember anything 09:56:18 11 specific. 12 Q. I'm going to ask you now to look at 13 a specific page of the management comment 14 letter from Coopers & Lybrand to the Board of 15 Trustees marked as Exhibit 22. That is Exhibit 09:56:27 16 22 before you, sir? Would you look at the face 17 page for me? 18 A. Yes. 19 Q. Do you see under the page marked 20 three of 16 in the lower right-hand corner? 09:56:39 21 A. Yes. 22 Q. There's a heading called Accounts 23 Receivable Observations? 24 A. Yes. 25 Q. And if you turn the page, we have a 09:56:47</p>

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William F. Buettner

Volume 2

<p style="text-align: right;">Page 330</p> <p>1 general overview and then a revenue and 2 accounts receivable overview section? 3 A. Yes. 4 Q. Do you see about three-quarters of 5 the way down the page, the second to last 09:56:58 6 paragraph, there is a sentence in the revenue 7 and accounts receivable overview that reads, 8 "As a result of our procedures, we have 9 concluded that the controls over the 10 establishment and monitoring of accounts 09:57:12 11 receivable reserves are designed appropriately 12 and are operating effectively so as to properly 13 adjust accounts receivable balances to their 14 estimated net realizable value." 15 Did I read that right? 09:57:25 16 A. Yes. 17 Q. Do you know who wrote that text as 18 you sit here today? 19 A. No, I don't. 20 Q. Did you believe it at the time the 09:57:32 21 letter was dispatched? 22 A. Yes. 23 Q. Do you believe it today? 24 MR. RYAN: Objection. 25 A. With regards to 1996 are we 09:57:41</p>	<p style="text-align: right;">Page 332</p> <p>1 30 to 35 minutes. It was a 90-second 2 conversation? 3 A. Yes, it was 90 seconds. 4 Q. With whom did you discuss it? 5 A. Well, everybody was in the room, 10:32:57 6 but principally Mr. Ryan. 7 Q. The everybody is Mr. Close -- 8 A. Yes. 9 Q. -- in-house consultant at 10 PricewaterhouseCoopers? 10:33:06 11 A. Yes. 12 Q. And Mr. LaRocca, a lawyer at 13 Cravath, Swaine, and Moore? 14 A. Yes. 15 Q. And Mr. Stroup, a lawyer for you? 10:33:11 16 A. Yes. 17 Q. What's your clarification, sir? 18 A. Simply that the 7.1 million dollar 19 adjustment that we had talked about, I'm 20 uncertain in terms of if individuals understand 10:33:28 21 the item that we have on our SUD here and the 22 purpose for that. So if I could just take one 23 minute and outline my understanding of the 24 facts. 25 The client booked a 7.1 million 10:33:49</p>
<p style="text-align: right;">Page 331</p> <p>1 speaking to? 2 Q. Yes, the time period for which the 3 letter was written. 4 A. Yes. 5 MR. JONES: Why don't we take our 09:57:48 6 morning break here. 7 THE VIDEOGRAPHER: Going off the 8 record at 9:57. 9 (Recess had.) 10 THE VIDEOGRAPHER: We are back on 10:32:21 11 the record at 10:32. 12 MR. RYAN: If he could just -- I 13 think there's one point the witness wants to 14 clarify what happened before. 15 Q. Do you have a clarification to a 10:32:30 16 prior answer, sir? 17 A. Yes, I do, or maybe a series of 18 answers. 19 Q. Let me ask you, have you had an 20 opportunity to discuss this clarification with 10:32:39 21 counsel at the break? 22 A. Yes. 23 Q. How long did that discussion take? 24 A. 90 seconds. 25 Q. We've been off the record for about 10:32:49</p>	<p style="text-align: right;">Page 333</p> <p>1 dollar adjustment reflecting capitalization of 2 interest for both the 1996 period and prior 3 years. They did that to correct what we 4 considered to be misstatements that had 5 accumulated over a period of time. 10:34:04 6 Q. Misstatements in what account, sir? 7 A. It would have been -- well, 8 capitalized interest would have gone to fixed 9 assets or property, plant and equipment. 10 Q. The misstatement was the failure to 10:34:14 11 capitalize the interest -- 12 A. Yes. 13 Q. -- over a period of years? 14 A. Yes. 15 We concluded that their correction 10:34:22 16 of that misstatement in 1996 was appropriate, 17 so they fixed the property, plant and 18 equipment. But when he did that, they created 19 a second misstatement, and that misstatement 20 was creating this unsupported general reserve 10:34:33 21 or general cushion, as you called it, 22 Mr. Jones, in an unsupported CRA account. 23 Q. In the amount of 7.1 million 24 dollars? 25 A. Yes. 10:34:46</p>

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IN THE UNITED STATES DISTRICT
COURT OF PENNSYLVANIA
WESTERN DIVISION

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,

Plaintiff,

Vs. Civil Action No. 00-684.

PRICewaterhouseCOOPERS, LLP,
Defendant.

Continued videotaped deposition of
WILLIAM F. BUETTNER, called for examination
under the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Jones Day, 500 Grant Street, Suite
3100, Pittsburgh, Pennsylvania, on Thursday,
the 24th day of June, 2004, at 9:00 a.m.

VOLUME III

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William F. Buettner

<p style="text-align: right;">Page 559</p> <p>1 A. From the C&L perspective?</p> <p>2 Q. Yes.</p> <p>3 A. Yes, sir.</p> <p>4 Q. Do you recall being involved in</p> <p>5 discussions about the decision to move to 09:03:16</p> <p>6 this -- or to implement this change?</p> <p>7 A. Yes.</p> <p>8 Q. With whom did you have such</p> <p>9 discussions?</p> <p>10 A. I had a number of discussions with 09:03:28</p> <p>11 Mr. McConnell, perhaps Mr. Spargo, probably</p> <p>12 over an 18-month period about reporting</p> <p>13 requirements and options that were available to</p> <p>14 the AHERF management group.</p> <p>15 Q. Who first initiated these 09:03:50</p> <p>16 conversations about changing the audit format</p> <p>17 between the two years?</p> <p>18 A. I need a little help in your</p> <p>19 question. Are you talking about in 1997, sir?</p> <p>20 Q. I'm talking about the change we've 09:04:08</p> <p>21 just been discussing in the '97 audited</p> <p>22 financial statements, at least the</p> <p>23 presentation. Who first raised the topic, was</p> <p>24 it you, somebody at AHERF?</p> <p>25 When did you first hear about it? 09:04:18</p>	<p style="text-align: right;">Page 561</p> <p>1 As we had further discussions during the</p> <p>2 development of the '97 audit, a number of</p> <p>3 reasons developed. But our original</p> <p>4 discussions were more or less we're considering</p> <p>5 this. This is what we would like to do. You 09:05:48</p> <p>6 can give us your thoughts. We had had previous</p> <p>7 discussions about it. But give us your</p> <p>8 thoughts in terms of how that would impact your</p> <p>9 work in '97 and if you see any other items that</p> <p>10 we should consider. 09:06:03</p> <p>11 Q. What were the reasons, if you ever</p> <p>12 learned any, from AHERF management about why</p> <p>13 they were considering or thought it might be</p> <p>14 appropriate to change the presentation?</p> <p>15 A. Well, audit fees would have been 09:06:17</p> <p>16 one. I don't think that was the primary one,</p> <p>17 but it would have been one item because</p> <p>18 obviously our audit scope would have been</p> <p>19 reduced.</p> <p>20 They were operating more as a 09:06:28</p> <p>21 system, if you will, in 1997 than in prior</p> <p>22 years. That had implications in terms of our</p> <p>23 audit scope and how we would report at the</p> <p>24 Obligated Group level. And I believe they</p> <p>25 understood that. I know they understood that. 09:06:45</p>
<p style="text-align: right;">Page 560</p> <p>1 A. AHERF management told us during the</p> <p>2 planning session, if you will, very early</p> <p>3 planning session for the 1997 audit that they</p> <p>4 had made a decision or were strongly leaning</p> <p>5 towards the presentation of only a consolidated 09:04:39</p> <p>6 report for the AHERF system as their, what I</p> <p>7 would call their general purpose report, and</p> <p>8 that as a result our audit scope should be</p> <p>9 adjusted to reflect a consolidated audit, if</p> <p>10 you will. 09:04:55</p> <p>11 Q. Who was it in AHERF management that</p> <p>12 first told you that?</p> <p>13 A. I can't remember if that was</p> <p>14 McConnell or if that was Spargo.</p> <p>15 Q. What do you recall, and I 09:05:06</p> <p>16 understand you told me there were conversations</p> <p>17 over a number of months.</p> <p>18 A. Yes.</p> <p>19 Q. What is it that you recall about</p> <p>20 the reason that AHERF management in the person 09:05:11</p> <p>21 of Mr. McConnell or Mr. Spargo had for making</p> <p>22 this change?</p> <p>23 MR. RYAN: Objection.</p> <p>24 A. I am uncertain if the initial</p> <p>25 discussion centered around specific reasons. 09:05:31</p>	<p style="text-align: right;">Page 562</p> <p>1 And there were just other factors,</p> <p>2 as I understood, in terms of presentation to</p> <p>3 the public of looking at AHERF as a corporate</p> <p>4 identity, if you will, as opposed to the</p> <p>5 eastern region or the west. Other business 09:07:04</p> <p>6 reasons as well.</p> <p>7 Q. When you say a corporate identity,</p> <p>8 you mean as a singular or single corporate</p> <p>9 identity?</p> <p>10 A. Yes, yes. In fact, Mr. McConnell, 09:07:13</p> <p>11 I think at one point in time had indicated that</p> <p>12 there were just some very, very high level</p> <p>13 general thought of trying to develop a reason</p> <p>14 for only one, I'll probably not use the correct</p> <p>15 term, one medical license or one state license 09:07:34</p> <p>16 to run a hospital across the state as opposed</p> <p>17 to having seven or ten licenses, if you will,</p> <p>18 or licensees across the state.</p> <p>19 Q. What thoughts or comments, rather,</p> <p>20 did you share with AHERF management over the 09:07:48</p> <p>21 course of this period of when the consolidated</p> <p>22 presentation was being discussed about your or</p> <p>23 C&L's reaction to the proposed change?</p> <p>24 A. Well, the first point that we</p> <p>25 mentioned was that clearly it's their decision. 09:08:03</p>

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William F. Buettner

<p style="text-align: right;">Page 563</p> <p>1 We have a lot of clients within the PwC or C&L 2 list of clients who would only present 3 consolidated financial statements. So it 4 wasn't unusual. 5 They did have reporting 09:08:20 6 requirements, though, at what I would call 7 subsidiary level or Obligated Group level to 8 certain outsiders. We had indicated that there 9 would probably be some sort of need to contact 10 those folks to determine whether they were 09:08:35 11 going to be meeting their external reporting 12 requirements. 13 Q. Were these primarily folks involved 14 with having lent -- loaned money to AHERF, 15 these outsiders? 09:08:47 16 A. Yes, that would be the principal -- 17 principal group. 18 And so I felt that there was some 19 need for discussion with those folks, a need to 20 get the attorneys involved in terms of some 09:08:59 21 sort of assessment on whether the reporting 22 requirements would be sufficient. 23 And they had a clear understanding, 24 of course, that our audit scope would be based 25 on a consolidated financial statement and not 09:09:14</p>	<p style="text-align: right;">Page 565</p> <p>1 A. Yes. 2 Q. Did you indicate to them that the 3 things you would look at would change? 4 A. Yes. 5 Q. What did you indicate? 09:10:33 6 A. Not necessarily the things, but the 7 level of detail in certain areas would change. 8 Q. What did you tell anyone at AHERF 9 management about the change and the level of 10 detail, if you can recall today? 09:10:48 11 A. I can't recall specifically. It 12 was outlined more or less in the engagement 13 plan that we finally developed. 14 In these early-on meetings and 15 these discussions, I didn't sit down and say, 09:11:00 16 well, hours would go down because we would be 17 doing less work in this area, that area because 18 we had to put together an engagement plan. 19 The other thing, of course, that 20 complicated that was you had some acquisitions 09:11:14 21 going on that would increase hours and increase 22 efforts in those particular areas as well. So 23 putting together the engagement plan was a 24 challenge in '97 in terms of the changes that 25 were occurring. 09:11:26</p>
<p style="text-align: right;">Page 564</p> <p>1 necessarily on the financial -- individual 2 financial statements of the Obligated Group. 3 Q. What did you tell either Mr. 4 McConnell or Mr. Spargo or anyone else at AHERF 5 management in this time period about the change 09:09:31 6 in scope that you just mentioned? 7 A. Well, I had indicated that we would 8 factor that into our plan and give them an idea 9 in terms of what the change in scope would 10 entail. Of course that would translate into 09:09:46 11 time and effort and audit fee and things of 12 that nature. 13 So it was both an audit scope 14 change, if you will, in terms of the level of 15 items we would look at, as well as the impact 09:10:00 16 it would have on the overall time we would 17 spend on the engagement, which would translate 18 into fees. 19 Q. Let me see if I've got it right. 20 I'm sorry to take a quick note 09:10:13 21 there. 22 Did you indicate to them that the 23 time would involved in the audit for '97 would 24 be less under the changed presentation and, 25 therefore, the fees would be less? 09:10:24</p>	<p style="text-align: right;">Page 566</p> <p>1 Q. The acquisitions you refer to are 2 the acquisitions of certain hospitals formerly 3 owned by the Graduate Health System? 4 MR. RYAN: Objection. 5 A. That would be one part of the 09:11:34 6 acquisitions, yes, sir. 7 Q. I was going to list some more, but 8 that was one of them? 9 A. Yes. 10 Q. And those hospitals were primarily 09:11:39 11 located in the Philadelphia area, I think maybe 12 perhaps one in New Jersey? 13 A. Yes. 14 Q. And then, if I refer to those 15 hospitals today, the ones acquired altogether 09:11:50 16 as the Graduate hospitals, will we understand 17 one another? 18 A. Yes. 19 Q. Thank you. 20 If there's ever a time where that 09:12:00 21 context isn't clear to you, just tell me. 22 And then the other acquisitions 23 during fiscal year '97 were in the western part 24 of the state, the hospital acquisitions, 25 anyway? 09:12:10</p>

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